THE BUDGET DEBATE

Session 1936

SPEECH DELIVERED BY

MR. GEORGE H. WILLIAMS, M.L.A.
(Wadena)

Leader of the Opposition

in the

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

MONDAY, MARCH 9, 1936

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Mr. Speaker: In rising to reply to the Budget Address, I wish first to congratulate the Provincial Treasurer (*Hon. Mr. Patterson*) on his presentation of the case. I recognize, of course, that he has made no attempt in his Budget Address to outline a balance sheet for the Province.

The Premier's Address, like most, or perhaps all, Budget Addresses, deals almost exclusively with current estimates of income and expenditure and makes no attempt to analyze the broader aspect of just where we are financially and where we are going.

Before listening to the Budget Address of last year I thought (and I think I held the view in common with the average citizen) that a Budget Address was an analysis of the balance sheet of our Province, and I was somewhat surprised to find that, except for some generalizations such as comparing annual value of production with annual interest payments, the Budget merely consisted of a résumé of estimated revenue and estimated expenditure for the coming year, and was not a stock-taking of our provincial position at all.

I think that, when we state we are going to balance our budget, the average person imagines that we are going to show a provincial balance sheet of assets and liabilities in which the assets will be equal to the liabilities, and they never dream that what we are really talking about is our current income and current expenditure.

After last year's Budget, I decided I would try to make as reasonable an analysis as possible of our actual position with respect to assets and liabilities. With this in view, I have made numerous enquiries into the figures contained in the Public Accounts as at April 30, 1935, which were tabled in the Legislature a short time ago, and which show our last balance sheet.

I have made every possible effort to be accurate, Mr. Speaker, and I trust honourable gentlemen will realize that, in presenting the

case in the way I do, I am earnestly endeavouring to avoid party bias and to present to this House as near an accountant's picture of our balance sheet as I am able to do. I recognize, of course, that it would take years to become thoroughly conversant with all the intricacies of provincial financing. Nevertheless, I have had some experience of accountancy, both in theory and practice, and will endeavour to be as accurate as care can make it so.

May I also say this, Mr. Speaker, as I proceed with my figures, questions are bound to occur to honourable members opposite. I hope they will realize that, in discussing a balance sheet, many approaches are possible. For instance: in recent years, we have had two check-ups by well-known and reputable firms, namely, Price, Waterhouse and George Touche & Company. A layman examining the two balance sheets presented by these two firms might form the conclusion that they are not in agreement; but closer inspection will show that it was merely the method of approach that was different and that the basic condition as reported by both firms is in agreement. If, therefore, questions occur to honourable gentlemen opposite as I proceed, I would request that they refrain from asking them until I have completed my submission of figures. I believe that if honourable members will do this, they will find that the questions they intended to ask will be answered by some later figure or statement as I proceed with my analysis.

It is my intention, Mr. Speaker, to present to this House a picture of our financial position as revealed by the figures contained in the Public Accounts for the fiscal year ended April 30, 1935, tabled (as I have said) a few days ago.

I wish, first of all, to read the Auditor's report contained in those Public Accounts—for it is the general practice for an auditor, when submitting a balance sheet to a Government or any other organization, to sign a general statement as to what the balance sheet contains. The auditor in this case, had this to say:

"Regina, Sask., November 16, 1935.

"To the Hon. W. J. Patterson,
Provincial Treasurer,
Regina, Sask.

"Sir:

"The accompanying Balance Sheet, with explanatory schedules A to W, has been prepared from the books, records and vouchers of the Treasury Department for the fiscal year ended at the 30th April, 1935.

"As in former years, no provision has been made for depreciation on the items 'Public Buildings and Public Improvements' included in Schedule A, nor for losses which may, and probably will, occur in the realization of 'Loans and Advances to Provincial Boards, Commissions, etc.' listed in Schedule B.

"Substantial provision is made for estimated losses on the Taxes and Receivables included in Schedules N, P and P-1, but not for any of the items shown in Schedule W, 'Contingent Liabilities.'

"The securities shown as composing the various Sinking Funds, Schedule D, those making up the investments of 'School Lands' funds, Schedule G, and 'Drainage District Sinking Funds,' Schedule L, were examined twice in the twelve months, with coupons, where such were attached, and those of The Official Guardian's Trust Account, Child Protection Trust Account and Teachers' Superannuation Fund after the close of the year and all were found correct. Balances at the various banks were verified.

"You will note that Funded Debt, Treasury Bills, Sinking Funds and Sinking Fund Reserves are included in the Capital Section, so as to make the totals under these particular headings more readily available.

"Any information and explanations asked for were readily forthcoming and, subject to the foregoing remarks, I certify that the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the financial position of the province at 30th April, 1935, according to the best of my information and as shown by the books, records and vouchers submitted.

"Your obedient servant,

"G. L. HOPKINS,

"Provincial Auditor."

Now let us turn to the Balance Sheet itself and first examine the entries we find on the asset side of the Balance Sheet in an effort to obtain a clear picture of where we are financially.

The first entry is a figure of $53,950,455.73, covering Public Buildings, Public Improvements, Roads and Bridges, Investment in Cancer Commission and improvement in certain Natural Resources.

The public buildings of Saskatchewan, including the University of Saskatchewan, have been shown in the Balance Sheet at their original construction cost. It is noteworthy that, in spite of the fact that many of these buildings were put up years ago, no allowance has been made over the years for depreciation and the valuation still stands at the original figure. In defence of this practice it may be said that the $3,924,117.26, shown as Sinking Fund Reserves on the liability side of the Balance Sheet, might possibly be regarded as depreciation on buildings, improvements, roads and bridges and that the depreciation is constantly being taken care of by replacement and reconstruction year by year, the cost of which is carried in each year's current expenditure.

I think we should remember, however, that a depreciation of less than $4,000,000 on almost $23,000,000 worth of public buildings, some of which have been standing for from 20 to 25 years, is, after all, a very small allowance for depreciation, and, as for replacements, I am sure the Minister of Public Works (Hon. Mr. Spence) must agree with me when I say we have been getting along without replacements which should have been made years ago. Perhaps this applies particularly to boiler-room equipment of some, at least, of our public buildings as well as applying to reconstruction which ought to be undertaken. I note the Premier in his Budget Address also made reference to the need for replacements.

In this figure of $53,000,000 we find $30,000,000 for roads and bridges; and again no allowance has been made for depreciation in spite of the fact that roads and bridges suffer a very great natural depreciation. Particularly is this true of highways in wet seasons.

To justify showing this asset at a figure equal to the original cost of construction, highways and bridges should, of course, be maintained in a continuous state of repair and efficiency equal to their condition at the date of completed construction. The Minister of Highways (Hon. Mr. Dunn) will agree with me, I think, when I say that, do all he may, roads and bridges do depreciate and are never as good as new until they are either rebuilt or reconstructed. The maintenance of this figure in the Balance Sheet at the original cost of construction is, therefore, open to question.

The figure $121,973.95, which is part of the $53,000,000, is money invested in the Cancer Commission for radium and equipment, and while it may possibly be accepted, within limits, as non-depreciable, it is, of course, not strictly so. Radium, as we know, does not depreciate —except over a very lengthy period of time.

The item of $32,706 shown as improvement to natural resources in this figure of $53,000,000, possibly may be regarded as not necessarily subject to depreciation because it represents improvements constructed in some of our parks such as Watrous and Waskesiu, and probably may be regarded as a permanent enhancement of the value of these resources, particularly so if reasonable replacements are made.

This policy of carrying fixed capital assets year after year at the original value, however, is one which would not be tolerated in any business institution and, in spite of the possible defences of the practice which I have mentioned, cannot be regarded without misgivings.

Our next item on the assets side of the Balance Sheet is $50,937,390.06 on which the Auditor makes this very significant comment:

> "As in former years, no provision has been made for depreciation on the items 'Public Buildings and Public Improvements' included in Schedule A, *nor for losses which may, and probably will, occur, in the realization of 'Loans and Advances to Provincial Boards, Commissions, etc.' listed in Schedule B.*"

Examining Schedule B on page xiv of the Public Accounts we find it consists of eleven items. Some of these may reasonably be regarded as good, such as the $12,000,000 advance to the Department of Telephones and, in spite of criticisms to the contrary, I think we may also regard the advance to the Power Commission as sound. The advance to drainage districts is repayable out of land whose value has been enhanced by the project and possibly may be regarded as sound also. The Saskatchewan Wheat Pool item also may be regarded as good as payments on principal and interest have been met regularly and promptly each year.

The $15,000,000 item shown as an asset, being advances to the Farm Loan Board, will eventually show a loss; just what that loss will be is hard to determine. The Weston report shows it to be $2,500,000, while the Farm Loan Board report of 1935 shows a loss of $626,153.17. At the very least, it would seem that this asset should be depreciated by the amount of the loss or estimated losses sustained by the operations of the Board to date.

It might be well, at this point, to give a short résumé of the operations of the Saskatchewan Farm Loan Board. It will be remembered by honourable gentlemen opposite that, when the Board was first set up, it was primarily created as an organization to bring competition into the field to lower interest rates, but during the war years, the Board followed the policy of making loans to farmers not adjacent to centres where ordinary loan facilities were available. The declared policy was to assist production so as to win the war. This policy undoubtedly led the Farm Loan Board into a field of loans which ordinary companies would not risk, and where losses were inevitable and expected. Under the war conditions, however, this policy was probably quite justifiable in spite of the probable losses.

At the end of the war, the Board went back to its original policy and began to make loans in direct competition with other loan companies, with the avowed intention of lowering interest rates. Unfortunately, the amount of money available to the Board for loaning purposes at any time has never been large enough to have any appreciable effect on the money market.

Some criticisms have been levelled at the Board accusing it of making poor loans and of unsound business practices. The Weston report was very outspoken in this regard. Whether or not these criticisms were justifiable is an open, or perhaps it could be better termed a "political", question.

The difficulties the Board has had to combat were partially outlined by the present Premier in 1928 when, as Provincial Treasurer, he had this to say:

> "The Board operates under several handicaps. It does not have local appraisers, as the private companies have. The local appraisers, by their recommendations in placing loans and aid in collections, are of material assistance to the loan companies. The private companies can select the districts in which they will operate, can loan in large or small amounts without criticism, and by having a large number of loans in choice and particular districts, can materially reduce the overhead cost of administration. On the other hand, the Farm Loan Board is required to consider applications from every part of the Province, is expected to favour the smaller loans although the cost of inspection, supervision and office administration is thereby increased."

Wherever rests the blame it does not affect the ultimate result, namely, that losses have been, are being, and will be sustained in connection with the operation of the Farm Loan Board, and it would seem only reasonable that, in setting up an asset, we took into account

existing and probable losses with respect to that asset, as any commercial company would do, and provide for them in the balance sheet.

With respect to the $2,500,000 advanced to the Saskatchewan Co-operative Creameries against which we hold securities, and which is shown here as an asset, it is estimated that a loss will likely be sustained, or, may I put it this way: it may be advisable for the Government to take a loss.

I believe honourable members of this House will recollect the manner in which the Province became involved in this particular transaction.

In the early days, the Government had no direct liability in the Co-operative Creameries, although it acted as a clearing house for quite a number of small co-operative creameries. My understanding is that the Government paid the accounts payable and collected the accounts receivable for these co-operatives, and charged them a small percentage on the net earnings for the service rendered. A little later on, these companies amalgamated into a company called the Saskatchewan Co-operative Creameries. The Government ceased to administer the affairs of the newly amalgamated companies but, about this time, however, in order to assist the company and the dairy producers, the Government agreed to help finance the erection of cold storage plants by making loans up to 75 per cent. of the appraised value of such plants, taking a first mortgage as security. It had formerly been hoped that the Dominion Government would subsidize the erection of these cold storage plants as a war measure, but the Saskatchewan Company was unable to have it arranged and the Provincial Government had to come to the assistance of the company.

In the session of 1926, indeed for the years immediately preceding that year, the price of dairy products had been for the most part unsatisfactory, and an agitation had arisen that something should be done about it. Into the stage so set up stepped Mr. Joe Caulder, of the Caulder Creameries of Moose Jaw. Mr. Caulder promoted a merger between the Saskatchewan Co-operative Creameries and the Caulder concern, whereby the Caulder Creameries were sold to the Saskatchewan Co-operative Creameries. This agreement, signed by J. A. Caulder on behalf of the Caulder Creameries and by J. A. Gregory on behalf of the Saskatchewan Co-operative Creameries, was validated by Statute and was in many respects a remarkable document.

The agreement which termed the Caulder Creameries the "vendor" company and the Saskatchewan Co-operative as the "purchasing" company provided for the issue to the preferred stock holders of the Caulder's Creamery of preferred shares in the Saskatchewan Co-operative, carrying the same value and the same privileges as the stock they formerly held in the Caulder's Creamery, and also called for the issue to the Caulder voting common stock holders of a new amalgamation "Series A" shares in the Saskatchewan Co-operative of the same value

as the Caulder stock and with privileges which this stock did not formerly enjoy in the Caulder's Creamery.

The agreement provided that this new Series A stock could be redeemed. This arrangement can best be described by reading that portion of the Act. I quote:

> "The purchasing company may at any time prior to March 1, 1932, call in and pay off the said amalgamation shares, Series A, such calling in and payment off to be at par, plus a premium of $2.50 upon each of the said shares if called in and paid off prior to March 1, 1929; at par plus a premium of $3.50 if called in and paid off prior to March 1, 1931; and at par plus a premium of $4.00 if called in and paid off prior to March 1, 1932. Shares so called in and paid off shall not be reissued."

The agreement also provided that the former Caulder common stock holders, which was the voting stock in the Caulder organization, should elect an equal number of directors to those elected by the shareholders of the Saskatchewan Co-operative Creameries to the first Board of Directors following the amalgamation. When this Board first met, they appointed Mr. Caulder as general manager and a little later on appointed him as president. Just how this happened I cannot say except that Mr. Caulder is a very persuasive gentleman and, possibly, his persuasiveness had something to do with it.

Later on, the Government, under pressure from the dairy producers, decided to buy in Mr. Caulder's personal shares in order to remove the Caulder influence and control. Mr. Caulder thus retired from the company with $55,000.

HON. MR. DAVIS: I should like to ask, Mr. Speaker, where the honourable Leader of the Opposition got the impression that Caulder's share was purchased under pressure from the dairy producers?

MR. WILLIAMS: It was common knowledge at the time, and Caulder had become president of the Dairy Corporation of Canada, and the producers wanted his influence removed. I was at that time President of the United Farmers of Canada and in a position to know where the pressure came from.

HON. MR. DAVIS: I think you are wrong. I think the pressure came from Mr. Caulder himself, not the producers.

MR. WILLIAMS: I do not suppose Mr. Caulder was averse to taking $55,000, but without going into the arguments for and against the procedure, the result of paying Mr. Caulder this $55,000 added to the capital load the Company was carrying.

Today, the liability of this Company to the Government stands at $2,558,812.44, made up as follows:

$870,131.82 outstanding on a mortgage, the face value of which is $900,000, held by the Government;

$355,083.35 owing by the Company to the Government, and covered by redeemable shares issued by the Company to the Government, and

$1,333,597.27, a sum which the Company obtained as a loan from the Bank of Montreal. The Government guaranteed this loan and eventually paid it.

Thus the Company now owes the Government $2,558,812.44, and what the eventual loss will be is difficult to estimate at this time. To be quite fair to the Company, however, it must be said that, under its present management, it is making a better showing than it has made for some time.

It must be remembered, however, that this capital overhead places the Company in a difficult position in competing with other dairies, in that, if the interest is to be paid, let alone any payments on principal, the money must be found either by curtailing costs or by making better sales. Except for plant efficiency, lower costs in the butter industry are generally obtained by paying less for milk and cream, which is a policy the Government and the Company are both very reluctant to adopt.

It is also to be remembered that the purchase and sale price of fluid milk is now fairly well regulated by the Milk Control Board which tends to create a more or less rigid price structure in that field.

So far as butter is concerned, this is a highly speculative field in which even the most experienced dairymen sometimes suffer the most unexpected gains and losses. Taking it all in all, it would seem that in the interests of the Company and its patrons, both producing patrons and consuming patrons, some part of this capital overhead will have to be assumed by the Government.

HON. MR. DAVIS: What do you mean by "assume part of the overhead"?

MR. WILLIAMS: I hardly think the Government can expect this Company to meet the whole of this two and a half million liability to the Government and expect it at the same time to compete on a reasonable basis with other dairies. If we are to expect this Company to compete with other dairies, we shall have to put the Company on a basis where it can compete. This Company has to meet interest and principal payments on this sum, and these payments can only be made by taking the money out of the farmer by paying him less for his produce, or by taking it out of the consumer by making him pay more, or by increased plant efficiency.

HON. MR. DAVIS: The Company has to buy and sell on the market, so they cannot take it out of the farmer or the consumer.

MR. WILLIAMS: My honourable friend may be a good lawyer, but he apparently does not know much about the dairy industry.

In connection with the smaller item of $415,200 there will undoubtedly be a loss and a fairly heavy one. This item, I am informed, covers sale of live stock of some years standing to farmers, supplies of blackleg vaccine and some equipment in the Matador Ranch. Again, Mr. Speaker, there is no provision for depreciation.

The item of $48,146.36 covers the northern settlers' relief payments of 1931-32. It is now admitted that some of the settlers took up marginal lands and a loss seems inevitable in this connection, but again no provision has been made for depreciation.

With respect to the two items, "Implementing of Guarantees for Seed Grain on account of Municipalities" of $324,099.92 and "Local Improvement Districts" of $55,194.60, here also a loss seems inevitable.

Speaking of similar guarantees in 1921, Hon. Mr. Dunning, then Provincial Treasurer, had this to say:

> "Seed grain guarantees to rural municipalities for $639,681. It has been necessary for the Government to stand behind the municipalities in the way of guarantee and in my judgment there will be an ultimate loss. I cannot estimate it but there is no question in the mind of any member of this House that, as a result of the conditions which have prevailed in the last year or so, there will be some ultimate loss.
>
> "Local improvement districts seed grain and fodder account for $146,589—this is the only case where we guarantee the individual—there being no local administration it is necessary to do so and the credit of the individual is guaranteed at the bank. An attempt is made each fall to reduce the amount and collect as much as possible. I expect there will be a considerable ultimate loss in connection with this. At the present time the banks are carrying these advances, which are being reduced gradually but in some local improvement districts the crop has again failed and these people cannot pay and I expect there will be some loss."

The last item of $386,122.02, being amortized bond discount of Provincial debentures issued for advances to the Farm Loan Board, should be realized on provided the losses of the Saskatchewan Farm Loan Board are not too large. As to whether this will happen revolves around the question of whether or not these are normal times. A farmer friend of mine, who attended the Agricultural Society's Convention, told me that he gathered from the address of the Deputy Minister of Agriculture to that body that the Deputy Minister seemed to think that these were normal times. It is, of course, a highly controversial question, but in view of the fact that we have had these conditions for six years and still are experiencing them, the argument that capitalism can come out of its nose-dive is losing a great deal of its force. It would seem that a reserve for bad debts should have been created against this asset, of a fairly substantial percentage.

The next item on the balance sheet is cash in bank, $260,449.12. This is actual cash in the bank.

Then we find a figure of $1,026,880.92 as due from current account, being proceeds from debentures and some capital repayments which were paid into the consolidated fund. There is a cross entry for the sum showing on the liability side of the balance sheet.

Then we have on the asset side of our balance sheet sinking funds to the value of $8,449,761.57 against which we have set up a sinking fund reserve of $3,924,117.26. This latter sum, as I have already mentioned, may possibly be regarded as depreciation on buildings and improvements, that is, on capital account.

The next two items on our balance sheet are both offset by cross-entries as liabilities. They comprise $16,306,701.17, being money raised by loans to take care of revenue deficits and, therefore, owing from current account to capital account, and a further item of $45,086,457.07, being money raised by loans for relief purposes and, therefore, owing from the relief account to capital account.

The next item listed as an asset amounts to $2,856,087.29, and is unamortized debt discount and expense. I am informed that this is nearly all unamortized discount—in other words, losses sustained in selling our bonds. For instance, if we sell $100,000 worth of bonds and get only $85,000 for them we sustain a loss of $15,000; but, it is argued, this $15,000 loss need not be charged up against the year in which the bonds were issued but can be spread over the whole period covered by the bonds. Consequently, we find that the practice is to put items of this kind into the balance sheet as "deferred charges" instead of showing them as an immediate loss. But, nevertheless, it is an ultimate loss.

In the School Lands account, we have an asset of $38,153,516.68, which includes an item of $8,107,500, being the capitalization of a certain sum of money received each year from the Dominion Government as an allowance in lieu of debt. To make it clearer: we receive each year from the Dominion Government the sum of $405,375 as a payment in lieu of debt. When Confederation took place, the provinces then in existence all had debts which were absorbed by the Dominion Government. When Saskatchewan came into being in 1905, however, this province had no debts so, in lieu thereof, we get this annual payment from the Federal Government, the figure having been agreed upon and set forth in Section 19 of the *Saskatchewan Act* of 1905. This figure of $8,107,500, therefore, was placed on the asset side of the balance sheet as a capital asset, because we are drawing interest on a sum equal to that amount, at the rate of five per cent. per annum. This is a purely arbitrary arrangement, of course, for we could not realize on the capital sum at any time and apply it, say on our debt.

In this same item we have also anticipated the balance payable

over a period of years on outstanding sales of school lands as being $12,008,024.49. This, of course, may or may not be actually received. Adjustments are going on from year to year; some sales are not carried through and there are constant cancellations and adjustments being made. It should be said, however, that there are some six million acres of unsold school lands which, if realized on, should more than provide for any losses due to such adjustments, though it happens that some four of the six millions lie in unsurveyed areas of the north country and, presumably, are of little value. The remaining figure included in this item, $18,037,992.19, covers actual bonds and cash on hand from sales of school lands. Thus, roughly, some $20,000,000 of this asset arises from the capitalization of payments expected to be received over an indefinite period of years.

In our trust accounts, we show trusts to the value of $1,997,851.25. Of this, $1,849,847.06 is in actual cash or investments and accrued interest; $102,245.13 is deposited in general sinking fund and $45,759.06 is owing to trust fund from current account. This latter item is covered by an entry of an equal amount on the liability side of the balance sheet, as a liability to current account.

Turning to the current account, here we show an asset of $4,678,419.12 on account of uncollected taxes. Of this, $4,717,656.66 is unpaid public revenue taxes. (I am rather amazed the Attorney General does not question me on this. You will note that the last figure I quoted is larger than the original figure.) The ultimate payment of this sum depends entirely on the future strength of the taxpayer. If the municipalities continue to be unable to collect we cannot realize on this asset. In this respect I join with the honourable member for Kerrobert (Mr. Laing) in being quite unimpressed by the rosy picture painted by the Minister of Education (Hon. Mr. Estey) with respect to the municipalities. The fact is this item has increased during the past year—and I am not blaming the municipalities; this thing is growing on us all the time.

However, returning to the balance sheet we find the remaining $39,237.54 of the $4,678,419.12 assets of uncollected taxes covers:

Wild Lands Tax	$264,056.62
Supplementary Revenue Tax	44,056.62
Relief Income Tax	46,150.90
Timber Tax	19,644.18
Gas Tax (less commissions and estimated allowance for refunds)	97,745.50

With the exception of the last item where a reserve has been created, only $511,146.42 has been provided to take care of cancellations or remissions. It seems to me that this amount is altogether inadequate in view of the condition of the municipalities and in view of the fact that a large percentage of this amount has to be obtained from the municipalities as public revenue tax which has been in arrears for years and, naturally, from municipalities which are in the poorest condition.

Our next asset consists of a figure of $3,688,413.24. With the exception of the $133,294.41 of accrued interest payable from the Saskatchewan Co-operative Creameries on advances and which is of doubtful value, the soundness of the asset largely depends upon the ability of the Farm Loan Board to take care of advances for administrative purposes and interest on capital advances, in that the Farm Loan Board items account for $2,213,325.54 of the entire amount.

It should be noted that the $121,600 reserve set up for bad debts in connection with this item is really a 20 per cent. reserve on the $608,000.14 payable from the Farm Loan Board to cover advances made to this Board for administrative purposes, and no reserve has been created against the larger item of $2,605,325.40 payable to the Treasury from the Farm Loan Board on account of interest on capital advances. It is also interesting to note that last year the Board granted a remission of interest to its patrons; that is to say, those operating under the Board last year were forgiven a certain percentage of interest. If this practice continues, the income is going to be less and, therefore, the payments to the Treasury are bound to be less.

The next item of $2,800,608.94 should be a sound asset, having been very heavily discounted, some items even being discounted as heavily as 100 per cent. This may seem an unreasonable discount, but when one analyses each item one is convinced that the allowances made are justifiable. For instance, there is an item, "Advances to Debt Adjustment Cases," which has been discounted 100 per cent. This was money advanced by the Government to enable a debtor under the old Board to clear off some account. And again, at one time the Government undertook to finance foreign students at the University.

PREMIER PATTERSON: At the Normal School.

MR. WILLIAMS: All right . . .at the Normal School. These accounts date away back, fifteen or twenty years, and, therefore, to discount them 100 per cent. is quite a justifiable procedure.

The asset, $331,690.74, listed as materials and equipment is, I am told, a sound asset, being supplies and equipment actually on hand.

The next figure, $2,306,812.88, shown as an asset on the balance sheet as "Deferred Charges," is really not an asset at all but a probable loss that is being taken up over a period of years. The man in the street would naturally ask, why not show it as a loss then? There have probably been more arguments over the practice of showing deferred charges as an asset than any other bookkeeping practice. The theory is, of course, that the loss, although inevitable, has not yet occurred, therefore cannot be shown as a deficit nor can it be shown as a liability for it is not something we have to pay but rather something we should have received and, in slang language, "just ain't agoin' to get." Therefore it is shown on the asset side of the balance sheet in the same way

as a deficit is shown on the asset side of a balance sheet to denote the amount we are short in actual assets to balance our liabilities.

Then we have an item of $6,212,661.27 shown as an asset as School Trust Income Receivable, but we also have a counter entry on the liability side of the balance sheet of the same amount, because if and when this money comes in it is merely held in trust by the Treasury and really belongs to the school district and is earmarked to be used for educational purposes, such as restoring the school grants to their former figure.

The next item of $731,082.96 is another one of these deferred charges and is shown as Debt Discount and Expense rather than as a deficit, although it is really a loss.

The next asset of $110,000 is counterbalanced by a cross-entry on the liability side of the balance sheet of the same amount, being money that was used out of the consolidated revenue account for relief purposes. The one entry cancels out the other.

The next item is the recognized deficit in current account as at April 30, 1935—$6,581,994.58.

The last account on the balance sheet, that of Relief, we show as an asset of $1,864,581.81, being cash on hand in the Relief Account. A second item of $8,177,255.52, representing Accounts Receivable which have been fully discounted, should be sound. As a matter of fact this particular schedule has been discounted from $20,433,419.45 to $8,177,255.52, which seems to be a very heavy discount, but an examination of the accounts themselves show that the writing down is probably quite justified.

The last item on the asset side of the balance sheet is a recorded deficit of $37,919,421.47 in this account.

I have given you, Mr. Speaker, what I believe to be a fair analysis of the asset side of the balance sheet, let us turn now to the liability side.

On the liability side of the balance sheet we find a liability recorded of $174,714,386.79, being the Funded Debt and Treasury Bills outstanding on which we paid $6,323,371.09 in interest last year. In this connection it is interesting to note that the total amount paid into sinking funds from all sources, last year, was roughly $748,000. Even taking into account the Wheat Pool payments which came a little after the close of the financial year, the annual payments into the sinking funds do not come within $5,000,000 of being equal to the annual interest we pay on the funded debts and outstanding Treasury bills, yet these are the sinking funds that are supposed to retire or assist in retiring the various items of our public debt at maturity!

Perhaps for the benefit of those in the galleries who are not accustomed to and, perhaps, do not understand, the term "Treasury Bill," I should explain . . .

GOVERNMENT MEMBERS: You are not speaking to the galleries. You can't do that.

MR. WILLIAMS: Possibly there are some Government members who do not understand either. Treasury bills are not dollar bills. They are promissory notes of the Provincial Government given to banks, or sometimes other organizations, for goods or cash received and must be paid off when they fall due with interest payable thereon, or else they must be renewed.

The next item on the liability side is a small one, $1,230.52. This is a liability for capital expenditure, being an amount due and payable for current construction.

Then we have an item of $3,924,117.26, which is really not a liability but a cross-entry to a similar entry on the asset side of the balance sheet, thus creating a reserve which may be regarded as depreciation on buildings, bridges and roads. Next we have an item of $237,213.93, being a surplus in the capital account.

We also show a further surplus in the capital account amounting to $38,153,516.68, only $18,037,992.19 of which represents actual cash or bonds, the balance, some $20,000,000, being that arbitrary figure I have already referred to, made up of realization value of school lands we have sold under agreement for sale and the arbitrary figure fixed as the capitalization of the annual debt payment of $405,375 from the Dominion Government—and, for the life of me, I cannot understand why we should capitalize one Dominion subsidy and not the other. The explanation may be that this subsidy in lieu of debt is the only one we could arrive at a figure on, and so we show it and not the other.

In the trust account we show a liability as trustees of $1,997,851.25 as actual value of trusts held in either cash, bonds or other securities.

The only other items on the liability side of the balance sheet which are not cancelled out by cross-entries on the asset side are:

Bank overdraft	$801,737.50
Accounts payable	75,466.83
Interest accrued on public debt	1,967,560.93

This interest, although accrued, is not yet due. For instance, let us suppose that the last interest payment on a certain bond issue was in June, 1934, and the next falls due in June, 1935; then at April 30, when this statement was prepared, there would be interest accrued for July, August, September, October, November, December, January, February, March and April, but not due to be paid until June, two

months later. This item, therefore, represents the interest payable accrued in that manner.

Another item of accounts payable, $3,537,929.30 is on account of relief materials purchased by the Government but not yet paid for as at April 30, 1935. Then we have another item of $1,004,916.07 standing as a liability. Of this amount, $148,925.34 is in dispute and probably will be taken over by the Federal Government, being advances for seed grain outstanding for some years. The remainder, $855,990.73, represents payments due by the Government to the University of Saskatchewan, and the total liability of the Government due to the superannuation account in respect to claims for superannuation shall all be called for at one time.

Then, in addition to that, we have a contingent liability of $32,779,710.42, which we may, or may not, have to pay and which we do not show on the balance sheet at all although, with respect to some of these items, we most certainly will have to make good on them eventually.

The big item of $27,392,910.66 probably will be taken over by the Dominion Government, as it represents guarantees to the old Canadian Northern and G.T.P. Railways, now the Canadian National.

There may possibly be a loss, however, on the $333,517.95 guarantee with respect to principal and interest on drainage districts.

Then there is $4,508,406.16 of a guarantee given on advances in connection with agricultural aid where, probably, a heavy ultimate loss, estimated as from 50 to 75 per cent., will be shown. The same applies to the $230,098.36 item respecting educational guarantees.

We must also remember that, under *The Seed Grain Advances Act* of last year, we have created another contingent liability which will probably reach up into the millions, some of which the Government will have to make good, later on, to the mortgage companies and others who have advanced money to buy seed under the provisions of this Act. The Government will have to repay these advances if the farmer does not pay—and in this respect we must expect to have another liability created.

Summing the whole situation up, we find that we have two assets of over $50,000,000 each (taken at their face value), one of which should, and in any ordinary commercial business most certainly would, have been depreciated, namely, buildings, roads and bridges; and the other composed of items on which losses are bound to occur—and yet no depreciation or reserves set up, no provision at all for bad debts.

We find probable and, in most cases, inevitable losses shown as deferred charges amounting to $6,667,110.71, and we find also admitted

deficits amounting to $44,501,416.05. Against this, we show a reserve on the capital account of $3,924,117.26—and if we take it as an asset, we cannot at the same time take it as a reserve; and we show a surplus in the same account of $237,213.93. Then we show a further surplus arising out of capitalization of school lands and of certain amounts receivable from the Dominion Government over a period of years of $38,153,516.68.

Let us add the two up and see where we stand.

Take first the deficits:

Deferred Charges	$ 6,667,110.72
Acknowledged deficits	44,501,416.05
Total deficits	$51,168,526.77

Now let's take the surpluses:

Reserves in Capital Account from Sinking Fund	$ 3,924,117.26
Surplus in Capital Account	237,213.93
Surplus largely arising out of capitalizing school lands	38,153,516.68
Total surpluses	$42,314,847.87

Thus we find we have a net deficit of $8,753,678.90, and this would have been $28,000,000 had we not capitalized our school lands and one of our Dominion subsidies. Against this we have a net sinking fund of $4,525,644.13. In other words, not only have we a public debt of $174,714,386.79, but we also have additional net liabilities of another $7,239,915.81.

Exclusive of money we hold in trust for other people, our total assets, even after failing to provide for depreciation on buildings, roads and bridges and failing to provide a reserve for bad debts on certain loans and advances with respect to which we must certainly expect to suffer losses, do not come within $8,700,000 of balancing our liabilities. Even to reach this figure, it was necessary to capitalize our school lands, anticipate our Dominion subsidy in lieu of debt, ignore contingent liabilities and fail to provide for bad debts in some accounts which may reasonably be expected to show a loss; and our net sinking fund, after providing a reserve of $3,924,117.26 is only $4,525,644.13.

It must be remembered, however, that we have certain unrealizable assets not shown on our balance sheet, such as unsold school lands, unsold provincial lands, mineral and oil rights undeveloped. The area of unsold school lands as at April 30, 1935, is estimated at a little over 6,000,000 acres of which some 4,500,000 is in the unsurveyed area of the north country—and this is largely marginal land. It is estimated that the area of unsold provincial lands as at April 30, 1935, was a little over 79,500,000 acres, and again, much of this is marginal land. In fact, some 65,000,000 acres is unsurveyed land which is regarded, at present, as being of little value. The Government is also pledged to

a free homestead policy which materially reduces the sales value of its land.

In the absence of data of an authoritative nature, I do not wish even to hazard a guess as to the value of our, at present, unrealizable assets in oil and mineral rights. I do believe, however, that the analysis I have made discloses a condition serious enough to warrant serious consideration of every member of this House.

In the year ended April 30, 1935, we paid $6,323,371.09 in interest on our capital debt; and it should be remembered that, on this basis in the current fiscal year ending April 30, 1936, we will pay fairly close to $7,500,000, which is dangerously close to 50 per cent. of our entire current revenue per year. This is a state of affairs which can be viewed only with alarm.

So serious is this situation that I regard it as my duty (and am going to take the Attorney General's advice) to make some suggestions to the Government as to policies which might be adopted to ease the strain.

MR. PROCTOR (Moosomin): Would the honourable gentleman permit a question, that is, if you are through with your figures?

MR. WILLIAMS: Certainly.

MR. PROCTOR: Where on the asset side would you place municipal roads, schools and other improvements, and why would you not include the principal on which we get our Dominion subsidy in lieu of lands and the moneys found due the province by the Bigelow Commission?

MR. WILLIAMS: How would it be if we take them one at a time as they apply to different accounts?

MR. PROCTOR: All right.

MR. WILLIAMS: Municipal roads, not being a purely provincial asset, would go in municipal accounts.

MR. PROCTOR: Not treated as a provincial asset?

MR. WILLIAMS: No. In no system of bookkeeping that I know of do you find that you can place anything in as an asset that you did not pay for and that does not belong to you.

With respect to the other questions, you will find one subsidy in capital assets, capitalizing the revenues received from the Dominion Government in lieu of debt.

MR. PROCTOR: Where would you put the others in?

MR. WILLIAMS: There again you are entering the realm of bookkeeping, and the general practice is that you cannot put in as a capital asset something you cannot realize on. Some take the other view, of course; and for the life of me I cannot see why they should have capitalized the one and not the other and, as I have said, the only explanation appears to be that the one they did capitalize was the only one they could arrive at a figure on as that sum is set forth in Section 19 of the *Saskatchewan Act.*

I said I was going to take the Attorney General's advice and offer some suggestions to the Government which, if adopted, would do something to relieve the serious situation confronting the province. In this connection may I again refer to the policies adopted in Socialist Sweden, and for fear some of the honourable gentlemen opposite may not know the actual composition of the Swedish Government, I quote from "The World Almanac," a copy of which may be procured by members interested from the Legislative Library:

"The result of the election of the Second Chamber on September 18, 1932, as compared with the election of 1928, was as follows:

	1928		1932	
Party	Votes	Seats	Votes	Seats
Socialists	873,931	90	1,939,249	104
Communists	151,567	8	206,386	8
Agrarian	263,502	27	351,150	36
Conservatives	692,434	73	582,843	58
Peoples	303,995	28	250,379	20
Liberals	70,824	4	40,958	4
National Socialists	....	....	15,160	....

You will note, Mr. Speaker, that the Liberals, both elections, did not even elect "quintuplets"—only four each time.

"Per Albin Hansson, editor of a Socialist newspaper and leader of the Social Democratic Labor Party since 1925, as Premier, made up a Socialist Cabinet on Sept. 26 by a combination with the Agrarians and Communists . . . ."

He did not even put the Liberals in.

HON. MR. DAVIS: No. But he put in the Communists.

MR. WILLIAMS: Yes, that's the party the Liberals try to say are advanced Liberals.

". . . Stringent economies were put in effect and taxation increased. A broad programme of public works was voted on June 21, 1933, which was planned to put 74,000 men to work for one year at a cost of 288 million kroner of which the National Government will provide 180 millions. Raising 125 million by short term loans, 24,000,000 by long term loans and 10,000,000 from the ordinary budget and 20,000,000 from the extraordinary budget. The short term loans were met from the proceeds of steeply increased inheritance taxes. Normal wages were paid."

Note that last sentence, Mr. Speaker. Not \$10 a month, not \$15 a month—"Normal wages were paid."

"The Riksdag, on May 30, 1934, passed the Social Democratic Unemployment Insurance Bill. By paying weekly instalments for two years to the insurance fund, about 700,000 Swedish workers will be entitled to unemployment support for 20 weeks, the amount received by each worker varying with the sum contributed."

PREMIER PATTERSON: The workers made contributions to this fund, did they?

MR. WILLIAMS: Yes. They contributed.

"When fully organized the fund will total about 36,000,000 kroner of which the insured will supply 21,000,000 kroner and the Government the remainder. Some 300,000 Swedish workers are already insured against unemployment through trade union schemes which under the new system will be augmented with Government funds and supervised by the State.

"The old age pension law was broadened by the Riksdag on June 8, 1935, so that after Jan. 1, 1937, all men and women over 67 years of age will receive annual pensions based on a sliding scale of incomes and contributions."

With respect to the Swedish budget, the "World Almanac" has this to say:

"The public debt on March 31, 1935, was 2,490,200,000 kroner ($646,954,000 at par of exchange). The debt, nearly all funded, was contracted mostly for productive purposes, therefore representing not net liability but investment."

This figure of $646,954,000 stands out in sharp contrast with the public debt of Saskatchewan of just a month later in the same year, namely $174,714,386.79; in other words, Saskatchewan with a population of one million has a public debt which is over one-fourth that of a country with a population of seven million. One million people in Saskatchewan carry a provincial debt burden of 174 millions of dollars while seven million people in Sweden carry a burden of only 647 millions. Our provincial per capita debt is $174.00. On top of this we have a national debt of over two billion dollars, while Sweden has a per capita debt of only $92.42. Each man, woman and child in Saskatchewan is carrying a provincial debt alone of $174, while in Sweden each person carries a debt of only $92.42. Every member of this Assembly should burn these figures into his memory and vow that they must be changed. We on this side again insist that there must be a drastic cutting down of debts and lowering of interest rates.

Now let us examine how Sweden arrived at this enviable position. First, a Socialist Government; then stringent economies and increased taxation—but not stringent economy and added taxation to pay interest to bondholders, but rather to put into operation a broad plan of public works in which normal wages were paid, financed not by taxes on consumption or wages, but taxes on inheritance and earnings from public enterprises.

For years Sweden has gone forward in the direction of public ownership, government control of national industries and natural

resources. For years the Swedish Government has regulated prices and supervised banking activities. This policy, coupled with a new unemployment insurance policy and an adequate old age pension scheme, has already been so effective as to make it possible for the Swedish Government to reduce taxation by 10 per cent. in the last budget . . . . and if my friends opposite still say the Swedish Government is like a Liberal Government then I say to them, "Go thou and do likewise."

MR. LOPTSON: Would my honourable friend tell me—you mentioned industries—what industries does the Swedish Government own?

MR. WILLIAMS: I have a clipping here. There is also this book which you can obtain from the Legislative Library. That answers your question.

MR. LOPTSON: But name some of the industries.

MR. WILLIAMS: Industries such as the Coal Mines Co-operative . .

MR. LOPTSON: Co-operatives are independent in Sweden.

MR. WILLIAMS: The Government of Sweden at least shows a sympathetic attitude to Co-operatives.

HON. MR. DAVIS: Do they own the coal mines in Sweden?

MR. WILLIAMS: You also own them here . . .

HON. MR. DAVIS: Private ownership here.

MR. LOPTSON: We would like to know what industries the Swedish Government owns.

MR. WILLIAMS: Well, Mr. Speaker, if the honourable gentleman wants a list of the industries owned and controlled by the Swedish Government, he will have to get his information from the Swedish Government.

MR. LOPTSON: But, surely, my honourable friend knows some, having made the statement he did. Just name us one!

MR. WILLIAMS: Well, then, the lumber industry.

GOVERNMENT MEMBERS: No. No.

MR. WILLIAMS: That clearly shows the Government knows nothing whatever about the principles of Socialism. However, in view of the fact that honourable gentlemen opposite will pay no attention to recommendations based on the policies of a Socialist government . . .

MR. DANIELSON: What of the railways in Sweden, are they Government-owned?

MR. SPEAKER (to Mr. Williams): You do not have to answer.

MR. WILLIAMS: No. Mr. Speaker, I have listened to honourable gentlemen opposite yell at us to "sit down" when we have asked questions, and when they have the courtesy to answer ours we shall be pleased to answer theirs.

In view of the fact honourable members opposite like to take suggestions from capitalistic countries rather than from Socialistic countries, I am going to turn to some policies which have been followed in capitalistic countries. We have had our difficulties in this country and other countries have had similar difficulties. I believe it is generally recognized that the two things Canada suffers most severely from are over-capitalization in industry and mortgage indebtedness in agriculture. Other countries have suffered from these same maladies and have met them by state legislation such as some of the industrial Acts of Great Britain and other similar Acts which gave the British Government power to reorganize vital industries of general public interest.

With respect to farm mortgage indebtedness, the experience of Finland and the State of Bhavnagar in India is interesting. I am indebted to Mr. Eliason, Secretary of the United Farmers of Canada, for this information. I quote from his letter:

"Recently I had an opportunity to discuss debt adjustment legislation with the leader of the dairy co-operative in Finland, an organization with 90,000 members. He said that, following the Russian revolution the various armies had criss-crossed Finland time and again and robbed the farmers of nearly all that they possessed with the exception of the mortgages which, of course, were left.

"The Government found it necessary to rebuild the farming industry. They, however, allowed the creditors a free hand to foreclose but organized a state agricultural finance corporation. A representative of that finance corporation attended all mortgage sales and purchased the land at approximately 25 cents on the dollar. The mortgage companies, or moneylenders as they are called, received a cash settlement and the finance corporation resold the land to the farmer, son or widow; advanced whatever money was necessary for immediate needs and accepted a long term mortgage of from 20 to 36 years with 4 per cent. interest charges. Agriculture has flourished during the last five years and Finland is the only country in the world that we know of that has paid their war indebtedness.

"There is a similarity between the India and Finland land redemption scheme. I thought I would call this to your attention and hope that it will be of some help to you."

Speaking of India, this is from *The Times Weekly* of London:

FARM DEBTS IN INDIA

"Lieutenant-Colonel A. H. E. Mosse, in an article in the Times, describes a bold reform carried out in the State of Bhavnagar, by which the State has taken over the debts of the cultivators of the soil to the moneylenders and provided easy terms of repayment.

"The Maharajah of Bhavnagar has been visiting England, and was received by the King at Buckingham Palace last week.

"In the course of his article Lieutenant-Colonel Mosse says:

"'It is commonplace that one of the main factors in the unsatisfactory economic condition of the Indian ryot cultivator is his chronic indebtedness to moneylenders. This is found alike in British India and the States. At the instance of Sir Prabashankar Pattani, a Brahmin administrator, one Indian State has started a remarkable experiment amongst its subject ryots.

"'During the minority, between the years 1918 and 1931, of the present ruler, the Maharajah Krishna Kumarsinjhi, the administration of Bhavnagar was vested in a council of four members, of which the president was that veteran Brahmin statesman, Sir Prabashankar Pattani, who will be remembered as a familiar figure at the Round Table Conferences.

"'A committee appointed by the council to examine the question of agricultural indebtedness, reporting in 1929, after an exhaustive investigation, revealed a serious state of affairs. While nearly one-half of the Khatadars (holders of State land) were indebted to Sowcars (moneylenders) no less than 30 per cent. of the whole number had no prospect of ever getting rid of their obligations.

"'It should be explained that the land is, generally speaking, the property of the Durbar. The Khatadar holds his land on lease as a practically permanent tenant.

"'The committee came to the conclusion that for the khedut whose debt to sowcars did not exceed twice the amount of his annual assessment there was some hope. One-third of the number were in this position. The rest, amounting to 30 per cent. of the revenue payers, had no prospect but that of getting deeper and deeper into the toils. The debt in some cases amounted to as much as 15 years' assessment. Whatever the origins, in many cases quite small, of the khedut's debts, the committee found conclusive evidence that "the alarming extent of agricultural indebtedness is the result of the peculiarly grasping and extortionate methods of moneylending of which the khedut has been the victim."

"'Was it possible to liquidate the indebtedness to sowcars of the kheduts as a body? It remained for Bhavnagar, aided by certain favourable circumstances, to provide a solution, based upon the view that it would be greatly to the advantage of the khedut could the State take the place of the sowcar as his sole important creditor This solution took practical shape in the Khedut Debt Redemption Scheme.

"'That the scheme did not at first commend itself to the sowcars is hardly surprising; but tactful persuasion and judicious propaganda, aided by the bait of a cash sum down in settlement of bad debts as well as good, had their effect. The work begun in April, 1930, was concluded in March, 1934.

"'The conclusion, expressed in round figures, amounted to the complete liquidation of a nominal indebtedness of Rs. 86 lakhs (£645,000) by means of cash payments, totalling Rs. 20 lakhs (£150,000) advanced by the Durbar. By this latter amount the debts of the agricultural classes to the State had been augmented, but the whole of their fourfold indebtedness to moneylenders had been wiped out.

"'Granted that, from the khedut's point of view, the State is a more desirable creditor than the sowcar, is there a real transformation in his financial position? I believe there can be no doubt about the answer. The old debt was a permanent and increasingly heavy millstone round the neck of the unfortunate khedut which, in many cases, killed all live interest in his work. The new debt is, on the average, but a fourth of the old one; its repayment within a reasonable time is more than a practical possibility. And, provided the light interest charges be paid, it does not grow. The results in the case of

Khatadars in those areas first dealt with are, it is reported, already manifest, both in the greater heart the cultivator is putting into his work and in improved recoveries of land revenue.' "

Now, Mr. Speaker, let's go back over this and translate it into language and terms which all can understand—and I hope the Government will pay attention, for when the people elect a Provincial Government they really expect something, not just laughter.

A committee appointed to examine the question of agricultural indebtedness, and reporting in 1929, found a serious state of affairs. Nearly one-half of the farmers were in debt to mortgage companies and no less than 30 per cent. of the whole number had no prospect of ever getting rid of their obligations. The committee came to the conclusion that the farmer whose debt to the mortgage companies did not exceed twice the amount of his annual assessment had some hope —and one-third of the number were in this position. The remainder, representing 30 per cent. of the revenue payers, had no hope of working their way out and faced the prospect of getting deeper and deeper into debt. Whatever the origin, in many cases quite small, of the farmers' debts, the committee found conclusive evidence that "the alarming extent of agricultural indebtedness is the result of the peculiarly grasping and extortionate methods of the mortgage companies, of which the farmer has been the victim."

HON. MR. DAVIS: What report are you quoting from?

MR. WILLIAMS: This is from *The Times Weekly*, of London, England.

HON. MR. DAVIS: But that last statement was not in The Times.

MR. WILLIAMS: I am just supposing the Liberal Government woke up?

HON. MR. DAVIS: Oh, just supposing?

MR. WILLIAMS: Was it possible to liquidate the indebtedness of the farmers as a body? It remained for the Government, aided by certain favourable circumstances, to provide a solution based on the view that it would be greatly to the advantage of the farmer could the State take the place of the mortgage company as his sole important creditor. This solution took practical shape in the Farmers' Debt Redemption Scheme.

That the scheme did not at first commend itself to the mortgage companies is hardly surprising; but tactful persuasion and judicious propaganda, aided by the bait of a cash sum down in settlement of bad debts and good, had their effect. The work begun in April (shall we say 1936) was concluded in March, 1940.

The conclusion, expressed in round figures, amounted to the complete liquidation of a nominal indebtedness of £645,000 by means of cash payments totalling £150,000 advanced by the Government. By this latter amount the debts of the agricultural classes to the Government had been augmented, but the whole of their fourfold indebtedness to the mortgage companies was wiped out.

I think our honourable friends opposite might pay attention to some of the things done in other capitalistic countries to meet situations somewhat similar to our own here in Saskatchewan; but, of course, the members of the Government will say: "We cannot do these things. We have neither the power nor the money to follow out these policies adopted in Finland and India." I think the general public feels that, with Liberal Governments both here and in Ottawa elected by overwhelming majorities, the Liberal Party has all the power that the people of Canada can give and should it fail to use that power to solve Canada's economic problems, the Liberal Party, and it alone, must accept the blame.

Now that these conferences are going on between the Provinces and the Dominion, one of the prime matters before these conferences should be the solving of Canada's economic problems and the reconstruction of its economic structure. I believe that the Government of Canada and the Government of Saskatchewan would be quite justified if, instead of pledging the taxes of the taxpayers of Saskatchewan to mortgage companies to guarantee advances made to sow land covered by mortgages held by these companies, they insisted that the mortgage companies accept the full responsibility of the partnership they entered into with the farmer, which should include the acceptance of a fair share of all losses sustained to date and a fair proportion of the risks of the future. Should the mortgage companies refuse to accept this responsibility then, in my opinion, the Government of Saskatchewan and the Government of Canada would be quite justified in launching forth into a debt redemption scheme such as has been put into effect in Finland, India and some other countries, and wipe them out.

With respect to industrial rehabilitation, our friends may argue that an income tax would do us no good, an inheritance tax would do us no good, because we have no millionaires here to tax. Mr. Speaker, I submit it is high time we began to develop a national consciousness in Canada. It is high time we realized that Canada is a unit and that we cannot forever exist as the wealthy East and the poverty-stricken West. The East must be made to realize that the wealth of the East came largely from the West and inheritance taxes imposed in the East should not be for the benefit of the East alone, but rather for the benefit of Canada as a whole.

Turning to the Budget address of the Premier, in his remarks on estimated revenue and expenditure for the coming fiscal year, he intimated that the Government would probably be criticized for under-estimating expenditures and of over-estimating income. I believe the

Premier's fears will be fully justified in 1938 when the Public Accounts reveal what actually transpired in the fiscal year for which the estimates have just been tabled, and the pencil of time makes its red markings on estimated revenue and expenditure of 1937. In any event, the estimates admit we will go still deeper into the mire of debt in 1937. We are not going to crawl out; we are going to crawl farther in.

The thing which disturbed me most in the Premier's address, however, was not the possibility of errors in connection with estimated income and expenditure (and it does exist) but rather the attitude of defeatism exhibited. He seemed to take the attitude that little or nothing could be done about our interest rates and our debts, because it would rebound against us. There was the suggestion that something might be done, some slight reduction made, through the operations of a loan council, but even then there would have to be a *quid pro quo* and our Dominion subsidies might be regarded as security and most, if not all, of our financial activities brought under supervision of the Dominion Government. The Premier takes the attitude that nothing could be done—that the problem was hemmed around by difficulties and these difficulties of so serious a nature that nothing could be done. Mr. Speaker, may I say that, so long as that attitude of mind persists, nothing will be done. That is one of the reactions of human nature. If we think we can do nothing, we attempt to do nothing.

We, on this side of the House, will not oppose the Budget, but may I say, Sir, that we are not satisfied with the lack of action shown by the Liberal Government at Ottawa and the Liberal Government here in Regina, in tackling some of these really big problems which face our country and which face our province today.

Mr. Speaker, I thank you.

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